

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814
August 1, 1986



ALL-COUNTY LETTER NO. 86-72

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: THE BUDGET ACT OF 1986 COST-OF-LIVING ADJUSTMENTS
THAT AFFECT IN-HOME SUPPORTIVE SERVICES (IHSS)
PROVIDERS

The purpose of this letter is to clarify Cost-Of-Living Adjustments (COLAs) set forth in the 1986 Budget Act for the In-Home Supportive Services (IHSS) Program. Item 5180-181-001 of the Budget Act of 1986 made available \$3,523,000 from the State General Fund to support a wage and benefit increase for all IHSS providers effective July 1, 1986. When combined with the required county ten percent matching funds, a total of \$3,914,444 is available statewide for a one percent provider COLA. The actual wage and benefit increase allocations including 90% state and 10% county matching funds will be included in each county's total IHSS allocation and will be forthcoming via a separate All-County Letter.

If for any reason payment has not been included in the first scheduled paycheck after July 1, 1986, retroactive paychecks shall be provided back to July 1, 1986. Funds appropriated under this budget item are to be used only for the IHSS provider wage and benefit increases. All counties must grant a COLA at the one percent rate specified in the Budget Act to all providers, except county welfare staff providers whose adjustments shall be based on county collective bargaining agreements. COLAs for county welfare staff providers will be State funded up to the one percent rate. Counties may grant COLAs to any providers in excess of the one percent rate; however, State funding is not available for those amounts in excess of the one percent. The Department will automatically issue the increase for IHSS Individual Providers through the Case Management, Information and Payrolling System.

COLA is defined as all wage and benefit increases not including individual merit increases, individual step increases, individual longevity salary adjustments, individual wage differentials, changes in formal classification plans, or employment taxes (FICA, Workers Compensation, Unemployment Insurance, etc.). Any increases in pay ranges, classifications, or the bases for step changes which appear to circumvent the COLA provisions of the Budget Act will not be allowed.

For purposes of this Budget Act, providers are those workers who provide domestic services, non-medical personal services, and those related services necessary to enable a recipient to

remain safely at home. County welfare staff and contractor staff who are first-line supervisors shall be considered as providers for the purposes of this Budget Act only to the extent that they actually provide services (as mentioned above) even if those services are only provided by the supervisor on an emergency or on an as-needed basis.

EXISTING CONTRACTS

All existing contracts will require contract amendments in order to fulfill the Budget Act requirement. The COLA is computed by applying one percent to the total provider wages and wage-based benefits, (vacation, sick leave, etc.) after subtracting employer taxes and workers compensation insurance as of July 1, 1986. One percent can be added to the non-wage-based benefits, such as health insurance, only if the contractor can demonstrate an increased cost for the benefit. Any COLA over the one percent shall not be paid from the COLA allocation nor the IHSS base allocation. If the county placed in its Invitation for Bid (IFB) a requirement that provider wages and benefits be increased, this is considered a COLA and State funding is limited to the one percent increase which was effective July 1, 1986. If the county did not specify that a COLA amount be included in the IFB for contracts that became effective July 1, 1986, the one percent mandated COLA must be added to the competitively-bid contract rate and is funded from the COLA allocation.

Regarding the second year of a competitively-bid two-year contract, scheduled increases above the one percent COLA after July 1, 1986 will be funded from the base allocation.

RENEWED AND RENEGOTIATED CONTRACTS

The 1986 Budget Act also requires a one percent COLA effective July 1, 1986 for renewed and renegotiated contracts. Renewed contracts are the third year of a competitively-bid (Welfare and Institutions Code, Section 12302.1) two-year contract. Renegotiated contracts refer to all other contract situations that are extended or negotiated due to an unanticipated change of circumstances. Renewed and renegotiated contract provider wage and benefit increases effective after July 1, 1986 that are COLAs, are not fundable by the State. If a renewed or renegotiated contract is negotiated at a higher rate, the amount of this increase which is not a COLA will be funded from the IHSS base allocation.

Increases in employer taxes and workers compensation insurance which result from the one percent COLA wage and benefit increase will be funded from the IHSS base allocation.

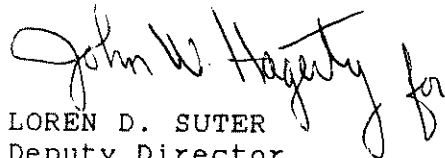
Welfare and Institutions Code Section 12302.1 (a), requires SDSS review and approval of all IHSS contract amendments.

Please submit a copy of the COLA amendment to our Contracts Bureau prior to formal execution, along with a detailed explanation of how the COLA has been applied.

This should include:

1. How the COLA affects each provider wage level and step.
2. The change in each budget item affected by adding the COLA.
3. The changes in the tax, workers compensation, or any other item caused by the COLA, including the rates used to factor these changes.
4. The amount of any county funded wage and benefit COLA additions exceeding the allowable one percent.
5. The new hourly rate for service.

If you have any questions regarding this information, please contact Jennifer Petty of the Adult Services Bureau at (916) 322-6320.

for

LOREN D. SUTER
Deputy Director
Adult and Family Services Division

cc: CWDA